



Health Services
LOS ANGELES COUNTY

January 8, 2008

**Los Angeles County
Board of Supervisors**

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TO: Each Supervisor

FROM: Bruce A. Chernof, M.D.
Director and Chief Medical Officer

SUBJECT: STATUS OF THE PATIENT MANAGEMENT SYSTEM REPLACEMENT

As instructed by your Board on December 6, 2005, the Department of Health Services (DHS), through its Office of Managed Care (OMC)/Community Health Plan (CHP, aka "Plan"), is to provide a status report every six (6) months regarding the procurement of a replacement system for CHP's Patient Management System (PMS). This is to provide you with the fourth status report.

BACKGROUND

OMC is responsible for administering CHP, a Knox-Keene licensed health maintenance organization. CHP product lines include: 1) Medi-Cal Managed Care Program, 2) Healthy Families Program, 3) PASC-SEIU Homecare Workers Health Care Plan (aka In-Home Supportive Services Program), 4) County Temporary Employees, 5) Consolidated Ombudsman Budget Reconciliation Act (COBRA), and 6) Individual Conversion Plan. As of December 1, 2007, CHP's total enrollment was approximately 165,100.

PMS is the transaction processing system used by CHP primarily for eligibility verification and claims processing. The lack of functionality in PMS prompted a number of labor-intensive processes, manual interventions, and development of multiple ancillary database applications to meet the business and operational needs of the organization. With the growing needs and demands of the consumer and the increasing regulatory requirements of healthcare, it is imperative to implement an integrated core administrative health care payer solution to increase quality of care, ensure timely and accurate distribution of information, and reduce duplication of effort through efficient and effective health information technology.

Studies conducted by Outlook Associates, Inc. in February 2002, Milliman, Inc. in July 2003, and Simpson & Simpson's annual independent audit reports in February 2005 and December 2005 indicated CHP lacked the infrastructure to effectively manage the enrollees enrolled with the Plan, including limitations and deficiencies with its information systems. In June 2005, the Joint Audit Committee expressed support for replacing PMS with a managed care system solution to meet the needs of the Plan.

The strategic direction for the integrated system solution is to acquire services from a qualified Application Service Provider (ASP). ASPs are vendors that provide application hosting services which includes the hardware, software, and in some scenarios, networking infrastructure to enable the organization to run standardized applications over a secured virtual network.

Bruce A. Chernof, MD
Director and Chief Medical Officer

John F. Schunhoff, Ph.D.
Chief Deputy Director

Robert G. Splawn, MD
Senior Medical Director

313 N. Figueroa Street, Suite 912
Los Angeles, CA 90012

Tel: (213) 240-8101
Fax: (213) 481-0503

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ACTIVITIES

The following is the status of activities during the last six (6) months of 2007:

- In July 2007, the consultant, Jay Arca from Logic House, LTD., continued working with CHP departments to validate the technical and business requirements documented in the existing draft Request for Proposals (RFP) for a Managed Care Information System & Operations and Maintenance Services.
- In August 2007, CHP began actively working with the County's Chief Information Office and County Counsel to review and revise the existing draft RFP documents, including the Statement of Work, to reflect CHP's business requirements.
- In October 2007, Lauren Simmons assumed the position of Chief Information Officer for CHP/OMC. Ms. Simmons is responsible for providing the full scope of systems strategy, development, operations, maintainability, and the continuous assessment of the business requirements and technological needs of the managed care health plan and initiatives. Ms. Simmons immediately became actively involved in the RFP content and review process.
- In October 2007, CHP began reviewing the Statement of Work with the Chief Information Security Officer to address and meet the requirements set forth by Federal and State privacy statutes.
- In December 2007, CHP Contracts Administration began working with the consultant to ensure adherence to the Internal Services Department solicitation process.

NEXT STEPS

The following RFP next steps are scheduled for 2008. The dates are tentative and contingent upon County and Outside Counsel review and the County Solicitation Process:

- Finalize and release the RFP by April 2008 that meets the regulatory, reporting, and business needs of the County and CHP.
- Review vendor proposals and select vendor by June 2008.
- Develop and execute a contract by December 2008.
- Determine if the new Managed Care Information System implementation is on schedule by December 2008. In the event that it is determined that additional time is needed for the system implementation, CHP may recommend that the Board approve to amend Agreement H-211033 with Health Management Systems, Inc., (HMS Agreement) for the continued provision of maintenance, support, and training for the PMS, as well as for the Department of Public Health's Health Center Operations system software, which is additionally covered under the HMS Agreement.
- Configure application software and develop procedures for the Managed Care Information System by June 2009.
- Complete data conversion, parallel testing, and acceptance testing of the Managed Care Information System by September 2009.
- Train staff on the Managed Care Information System and conduct system cut-over from the PMS to the Managed Care Information System by December 2009.

If you have any questions or require additional information, please let me know.

BAC:ls
606:012

c: Chief Executive Officer
County Counsel
Executive Officer, Board of Supervisors
Chief Information Officer